

**RESOLUTION NO. 9, 2020**

Resolution of the Terre Haute Redevelopment Commission to Adopt  
the HOME and CDBG Housing and Community Facility Programs for 2020

- Whereas,       The City of Terre Haute is a participant of the HOME and CDBG Programs, through the U.S. Department of Housing and Urban Development (HUD); and
- Whereas,       three housing programs have been created (see attached) to provide affordable housing for very low and low income individuals and families utilizing the HUD funds; and
- Whereas,       the eligible borrowers or developers are required to be not-for-profit corporations, 501(c) 3 or 4 tax exempt organizations for the programs attached as Appendix A and Appendix B; and
- Whereas,       the eligible borrowers are low/moderate income families or individuals that qualify for the program attached as Appendix C; and
- Whereas,       the Redevelopment Commission is desirous to continue to utilize these programs and has reviewed the program guidelines and concurs.

Now, Therefore, Be It Resolved:

That the Terre Haute Redevelopment Commission hereby adopts the following programs as reviewed in this meeting.

HOME – Housing Development Loan Program	(Appendix A)
CDBG Community Facility Rehabilitation Loan Program	(Appendix B)
Urban Homestead Program (HOME Funds)	(Appendix C)

Approved on July 15, 2020

By \_\_\_\_\_  
David I. Heath, President

Attest \_\_\_\_\_  
Troy Helman, Secretary

## **HOME - HOUSING DEVELOPMENT LOAN PROGRAM**

### 1. Eligible Applicants

Any not-for-profit corporation that has the capacity to undertake and complete the construction or rehabilitation of housing for low and moderate income persons, and that has not previously defaulted under any program administered by the Department of Redevelopment. The corporation must be a 501 (c) 3 or 4 tax exempt organization. The corporation shall not be eligible for loan funds under this program if any of its officers or board members are in default of any taxes or debts owed to any bank or governmental unit. The corporation must have presently served the community as a housing organization for a minimum of 5 continuous years prior to the application date. Community Housing Development Organizations (CHDO) are encouraged to apply.

### 2. Eligible Purposes

HOME Housing Development Funds must be used solely for the cost of the physical construction or rehabilitation of housing for the benefit of mentally or physically disabled persons, very low and low income persons, homeless or disadvantaged youth. Housing project applications for the homeless will be given priority. Single family and duplexes will be given priority over multi-unit projects. Properties developed with HOME Housing Development Funds must be rented to and occupied by eligible residents for not less than the affordability period. No board members or officers of the corporation shall be eligible tenants in any housing constructed or rehabilitated under this program.

### 3. Eligible Property

Buildings eligible for construction or rehabilitation with HOME funds must be located in census blocks with a median income that does not exceed 80% of the median income for the City. Buildings must be capable of meeting applicable building and housing codes after construction or rehabilitation.

### 4. Application Process

Notice of funding availability shall be advertised in the Terre Haute Tribune Star. Loans shall be allocated on a first-come, first-serve basis. Applications will be recorded according to the date and time received by the Department of Redevelopment. Reservation of funds shall be awarded by the Department of Redevelopment.

### 5. Loan Requirements

The loan amount shall be forgiven over twenty (20) years from the initial occupancy date after the completion of construction. Buildings rehabilitated shall be forgiven over a period of 5 to 20 years depending on the amount of HOME funds used for the project. Each loan amount shall be reduced to zero, prorated monthly, during the affordability period if the use of the building has not been changed. Interest on the loans shall be at the Applicable Federal Rate and non-forgivable for projects financed in part under the Low Income Housing Tax Credit Program.

6. Loan Maximum

The maximum loan for any project that a not-for-profit applicant may receive shall not exceed \$80,000.00 per housing unit. Loans made under this program are intended to leverage other private funds to finance any additional development costs. The maximum loan amount shall not exceed the amount needed to cause the project to have a positive cash flow as determined by the Department of Redevelopment.

7. Application Fee

There will be no application fee for a HOME Housing Development Loan.

8. Required Construction or Rehabilitation

Buildings to be constructed or rehabilitated under the HOME Housing Development Loan Program will be inspected by the Department of Redevelopment which will prepare cost estimates, plans, and specifications for the work to be completed. Specifications shall be in compliance with all applicable building codes.

9. Contracting

The loan recipient shall be required to hire a general contractor to perform the work that is procured through a public bid process. Bid administration shall be performed by the Department of Redevelopment. Construction or rehabilitation contracts shall be specified by the Department of Redevelopment and awarded by the loan recipient.

10. Release of Funds

Loan funds will be released to the loan recipient and contractor upon completion of work activity as identified in the work write-up by line item.

11. Affordability Period

All HOME assisted rental projects must remain affordable to or be occupied by income eligible households for the appropriate Period of Affordability in accordance with the following:

<u>SUBSIDY</u>	<u>TERM</u>
Under \$15,000.00	5 years
Between \$15,000.00 and \$40,000.00	10 years
Over \$40,000.00 or Rehabilitation involving financing	15 years
New Construction or acquisition of newly constructed housing	20 years

12. Resale Provisions

Use of funds for development subsidies shall be subject to the Resale provisions of 24 CFR §92.254(a)(5)(i).

When HOME funds are provided as a development subsidy the Resale provisions will be utilized in the event the property affected is transferred during the Affordability Period. Upon sale during the Affordability Period the subsequent purchaser must meet the following requirements: (A) Income cannot exceed sixty percent (60%) of the median family income of Vigo County; (B) Mortgage principal and interest, taxes and home insurance (PITI) cannot exceed thirty percent (30%) of homebuyers annual gross income and (C) Utilize the property as their principal residence during the Affordability Period.

The initial owner of the affected property shall be entitled to a fair return on its investment defined as the original initial investment plus capital improvements and the percentage change in median real estate sale prices in Vigo County over the period of ownership.

Capital Improvements is defined as those improvements approved by the Department in advance and completed by a licensed contractor. Capital Improvements will be valued for purpose of fair return by the national average increase in value a specific improvement brings at sale.

Imposition of the Resale provisions will be reflected in written agreements between the Department and the party receiving the subsidy and will be evidenced by recorded deed restrictions and covenants running with the land. In the event of breach of any of the restrictions or covenants during the Affordability Period the Department shall have all rights of enforcement under Indiana law for the collection of the subsidy and foreclosure of the lien interest.

13. Affirmative Marketing and Equal Housing Opportunity

Loan recipients shall make a good faith effort to attract eligible residents from all racial, ethnic, and gender groups in the housing market area in projects consisting of 5 or more housing units.

Further information –

For further information contact Phil Kesner at the Department of Redevelopment, Room 301 City Hall, 812-244-2396.

**CDBG COMMUNITY FACILITY REHABILITATION LOAN PROGRAM****1. Eligible Applicants**

Any not-for-profit corporation that has the capacity to undertake and complete their building rehabilitation which will be used by elderly and/or low and moderate income persons, and that has not previously defaulted under any program administered by the Department of Redevelopment. The corporation must be a 501 (c) 3 or 4 tax exempt organization and have been serving the community in their capacity for a minimum of 5 continuous years prior to the application date. The corporation shall not be eligible for loan funds under this program if any of its officers or board members are in default of any taxes or debts owed to any bank or governmental unit.

**2. Eligible Purposes**

CDBG Rehabilitation Funds must be used solely for the cost of the physical rehabilitation of a building for the benefit of mentally or physically disabled persons, very low and low income persons, homeless, elderly, or disadvantaged youth. Properties rehabilitated with CDBG Rehabilitation Funds must be used by eligible individuals for not less than 10 years.

**3. Eligible Property**

Buildings eligible for rehabilitation with CDBG funds must be located in census blocks with a median income that does not exceed 80% of the median income for the City. Buildings must be capable of meeting applicable building codes after rehabilitation.

**4. Application Process**

Notice of funding availability shall be advertised in the Terre Haute Tribune Star. Loans shall be allocated on a first-come, first-serve basis. Applications will be recorded according to the date and time received by the Department of Redevelopment. Reservation of funds shall be awarded by the Department of Redevelopment.

**5. Loan Requirements**

The loan amount shall be forgiven over ten (10) years from the date of the signing of the note and mortgage. The original amount shall be reduced to zero, prorated monthly, over a ten (10) year period or until a change in the use of the property is made which would not comply with the program requirements, at which time the remaining balance would be due. We will take a 1<sup>st</sup>, 2<sup>nd</sup>, or 3<sup>rd</sup> mortgage, whichever is appropriate.

**6. Funds Available**

The maximum loan for any project that a not-for-profit applicant may receive shall be \$300,000.00.

7. Application Fee

There will be no application fee for a CDBG Rehabilitation Loan.

8. Required Rehabilitation

Buildings to be rehabilitated under the CDBG Program will be inspected by the Department of Redevelopment which will prepare cost estimates, plans, and specifications for the work to be completed. Rehabilitation specifications shall be in compliance with all applicable building codes.

9. Contracting

The loan recipient shall be required to hire a general contractor to perform the work that is procured through a public bid process according to HUD regulations. Bid administration shall be performed by the Department of Redevelopment. Rehabilitation contracts shall be awarded by the loan recipient.

10. Release of Funds

Funds will be released to the loan recipient and contractor upon completion of work activity as identified in the plans and specifications and inspection of the completed work.

11. Affirmative Marketing

Loan recipients shall make a good faith effort to attract eligible individuals from all racial, ethnic, and gender groups in the service area.

Further information –

For further information contact Phil Kesner at the Department of Redevelopment, Room 301 City Hall, 812-244-2396.

**URBAN HOMESTEAD PROGRAM (HOME FUNDS)**1. Eligible Developers

Any not-for-profit corporation that has the capacity to undertake and complete their building construction or rehabilitation, which will be used by elderly and/or low and moderate-income persons, and that has not previously defaulted under any program administered by the Department of Redevelopment. The corporation must be a 501 (c) 3 or 4 tax exempt organization and have been serving the community in their capacity for a minimum of 5 continuous years prior to the application date, which includes 5 years of housing counseling experience. The corporation shall not be eligible for loan funds under this program if any of its officers or board members are in default of any taxes or debts owed to any bank or governmental unit.

2. Eligible Purposes

Funds used for the Urban Homestead Program must be used solely for the cost of purchasing a new or rehabilitated single family housing for the benefit of lower income homebuyers, including mentally or physically disabled persons. The house must be occupied by an income eligible owner for a period of 10 years. No board member or officer of the corporation shall be an eligible purchaser of any housing constructed under this program.

3. Construction Contracting

The non-profit housing development organization may serve as its own contractor if it has a minimum of five years housing construction experience. A housing development organization with less than five years construction-contracting experience shall hire a general contractor through the public bid process administered on its behalf by the Department of Redevelopment.

4. Eligible Purchasers

An eligible purchaser of an Urban Homestead Property from a non-profit housing development organization shall be a first-time homebuyer having a gross family income no greater than 80% of the median income of Vigo County and purchase the property as their principal place of residence. Income eligibility of Homesteader/s must be determined not more than 6 months before commitment of funds by the Department of Redevelopment. Developer must submit Homesteader/s annual income documentation as evidence of compliance with HUD guidelines 24 CFR 5.609.

The purchaser is required to participate in a program of housing counseling provided by the developer and acceptable to the Department of Redevelopment. The purchaser must be determined to be responsible and credit worthy by the non-profit housing developer. The purchaser shall not be eligible for loan funds under this program if they are in default of any taxes or owe debts to any governmental unit in Vigo County or bank mortgages made in conjunction with any HUD funds administered by the Department of Redevelopment.

5. Eligible Property

Buildings eligible for purchase through the Urban Homestead Program must be located in the City of Terre Haute in a census block having a median income not in excess of 80% of the median income for the City.

6. Application Process

The Department of Redevelopment will give public notice of the availability of funds by legal advertisement. Proposals to reserve funds will be accepted from non-profit housing development organizations and allocated on a first-come, first-serve basis.

No organization will receive a reservation of more than 50% of the funds unless there are no other applicants. Reservation of funds shall be awarded by the Department of Redevelopment.

7. Required Building Standards

Buildings purchased through the Urban Homestead Program must be affordable to lower income persons, meet applicable building codes, and have construction plans and specifications approved by the Department of Redevelopment. All construction work must be inspected by the Department of Redevelopment and City Building Inspector prior to release of funds.

8. Loan Provisions

Housing purchaser will be granted from HUD HOME Funds a 10-year forgivable loan with no interest charge. The loan shall be forgiven at a rate 1/120th of the loan amount per month. After the 10-year term of the loan, the balance payable will be zero. The maximum amount of loan shall be no greater than 50% of the construction costs up to \$35,000.00. The loan shall be assumable by a duly qualified and eligible low-income purchaser.

Urban Homestead loan funds shall be provided to the purchaser of a single family home from the non-profit housing developer at the time of sale (closing). The purchaser shall execute an agreement for a 10-year forgivable loan with the Department of Redevelopment at the time of sale.

9. Affordability Period

All HOME assisted homebuyers projects must remain affordable to or be occupied by income eligible households for the appropriate Period of Affordability in accordance with the following:

<u>SUBSIDY</u>	<u>TERM</u>
Under \$15,000.00	5 years
Between \$15,000.00 and \$40,000.00	10 years
Over \$40,000.00	15 years

After an owner has owned the property for the required affordability period, it may be sold without affordability restrictions.



10. Provisions for Recapture

Use of funds for client homebuyers assistance shall be subject to the Recapture provisions of 24 CFR §92.254(a)(5)(ii).

When HOME funds are provided as a direct subsidy the Recapture provisions will be utilized in the event the property affected is transferred during the Affordability Period. Direct subsidy funds must be repaid from the net proceeds of the sale of the property. Net proceeds are equal to the sales price minus down payment, capital improvements (defined as improvements professionally installed and approved by the Department of Redevelopment prior to commencing work) and superior loan principal repayment. If the net proceeds are not sufficient to recapture the full subsidy amount due to the Department the sum recaptured may be reduced and prorated based on the period of time owned measured against the required Affordability Period. The pro rata amount recaptured by the Department may not exceed what is available from net proceeds.

Imposition of the Recapture provisions will be reflected in written agreements between the Department and the party receiving the subsidy and will be evidenced by recorded deed restrictions and covenants running with the land. In the event of breach of any of the restrictions or covenants during the Affordability Period the Department shall have all rights of enforcement under Indiana law for the collection of the subsidy and foreclosure of the lien interest.

11. Fair Housing

The developer and home purchaser must market any sale or resale of the real estate in accordance with all applicable state, federal, and city fair housing laws.

Further information –

For further information contact Phil Kesner at the Department of Redevelopment, Room 301 City Hall, 812-244-2396.